

BlockFi International Ltd.

22-19368

Debtor

Reporting Period: February 1 - 28, 2023

MONTHLY OPERATING REPORT
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MONTHLY OPERATING REPORT

Notes to the Monthly Operating Report

This report includes activity from the following Debtor and its related Case Number:

Debtor	Case Number
BlockFi International Ltd.	22-19368

Notes to MOR:

On November 28th, 2022 (the “Petition Date”), BlockFi Inc. and eight of its affiliates (collectively, the “Debtors” or the “Company”) filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties as debtors-in-possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On November 28, 2022, the court entered an order [Docket No. 18] authorizing joint administration and procedural consolidation of these Chapter 11 cases pursuant to Bankruptcy Rule 1015(b) under the lead case *In re BlockFi Inc., et al.*, Case No. 22-19361. On December 21, 2022, the United States Trustee for the District of New Jersey (the “U.S. Trustee”) appointed an Official Committee of Unsecured Creditors (the “Creditors Committee”) [Docket No. 131]. No request for the appointment of a trustee or examiner has been made in these Chapter 11 cases.

BlockFi International Ltd. (the “Debtor”) is a Bermuda Limited Liability Company, renamed and organized in Bermuda on January 21, 2022 to conduct digital assets business activities. Previously, BlockFi International was formed under the name of BlockFi International LLC in the Cayman Islands on May 10, 2019 as a specific-use trading vehicle for certain institutional clients. Bermuda BlockFi also filed a winding up petition in the Supreme Court of Bermuda (for restructuring purposes only), together with an application for the appointment of joint provisional liquidators on a “light touch provisional liquidation basis” to assist the board of BlockFi International with this restructuring.

The Debtors are filing their Monthly Operating Report solely for the purposes of complying with the monthly operating report requirements applicable in the Debtors’ Chapter 11 cases. The financial and supplemental information contained herein is presented on a preliminary and unaudited basis, remains subject to future adjustments, and may not comply in all material respects with generally accepted accounting principles in the United States of America (“U.S. GAAP”) or International Financial Reporting Standards (“IFRS”). This Monthly Operating Report should not be relied on by any persons for information relating to future financial conditions, events, or performance of any of the Debtors or their affiliates.

The financial information has been derived from the books and records of the Debtors. This information, however, has not been subject to certain procedures that would typically be applied to financial information in accordance with U.S. GAAP or IFRS, and upon application of such procedures, the Debtors believe that the financial information could be subject to changes, which could be material. The information furnished in this report includes primarily normal recurring adjustments but does not include all adjustments that would typically be made for financial statements prepared in accordance with U.S. GAAP or IFRS. The preparation of the

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Financial Statements and MOR required the Debtors to make commercially reasonable estimates and assumptions with respect to the reported amounts of assets and liabilities, the amount of contingent assets and contingent liabilities at month end, and the reported amounts of revenues and expenses during the applicable reporting periods. Actual results could differ from such estimates.

Except for cryptocurrency amounts owed to creditors and intercompany balances as of petition date, all information presented has been translated using prevailing prices as of UTC 23:59:59 as of the applicable period end.

When determining the prices for digital assets and liabilities, the Company assesses the principal market in which to sell the digital assets or in the absence of a principal market, the most advantageous market. Market prices for such assets and liabilities may be volatile and not be readily ascertainable. In addition, the Company's ultimate realized value will be based on outcomes that are difficult to predict and outside of the control of the Company. As a result, amounts ultimately realized by the Company may differ from the fair values presented.

Client balances reflected in the financial statements and this Monthly Operating report are as of UTC 1:15:00 on November 11, 2022 (20:15:00 prevailing Eastern Time on November 10, 2022).

The Debtors reserve all rights to amend or supplement this Monthly Operating Report in all respects, as may be necessary or appropriate. Nothing contained in this Monthly Operating Report shall constitute a waiver of any of the Debtors' rights or an admission with respect to their Chapter 11 cases.

Debtor Full-Time Employees:

This MOR includes the number of full-time employees as of the Petition Date and February 28, 2023. As described in the Wages Motion [Docket No. 16], the Debtors also employ Independent Contractors located outside of the United States, whose salaries and benefits are included in the payroll amounts included in the MOR for the employing debtor entity.

Notes to MOR Part 1

For the avoidance of doubt, the bank accounts, cash balances and associated cash receipts and disbursements set forth do not include assets held in the customer accounts referred to as the BlockFi Wallet product as described in the *Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to (A) Honor Withdrawals from Wallet Accounts, (B) Update the User Interface to Properly Reflect Transactions and Assets as of the Platform Pause, and (C) Conduct Ordinary Course Reconciliation of Accounts, and (II) Granting Related Relief*

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(the “Wallet Withdrawal Motion”) [Docket No. 121]. As discussed in the Wallet Withdrawal Motion, the Debtors do not have a legal or equitable interest in the assets held in the Wallet Accounts; such held funds are owned by the Debtors’ clients. Note that digital assets attributable to Wallet Accounts are separately captured in Part 2 under Inventory (2c).

Notes to MOR Part 2 & MOR Part 4

The information contained in MOR Part 2 & MOR Part 4 is provided to fulfill the requirements of the Office of the United States Trustee. All information contained in MOR Part 2 & MOR Part 4 is unaudited and subject to future adjustment.

Accounts receivable (2a) represents the fair market value of digital asset loans (“Digital Asset Loans”), principal value of USD-denominated fiat and stablecoin loans without reserves (“USD-Denominated Loans”), accrued and unpaid interest owed to BlockFi denominated in digital assets (“Digital Assets Receivable”), accrued and unpaid interest owed to BlockFi denominated in USD or stablecoin (“Interest Receivable”), default or penalty interest owed where applicable (“Default Interest”), and intercompany receivables between BlockFi entities (“Intercompany Receivables”). Accounts receivable (2a) also includes claims on assets held on FTX.com, which was otherwise excluded from Cash (1d) and Inventory (2c), and claims for unpaid principal and interest owed for loans outstanding with Alameda Research and any other borrower in default (collectively “Claims”). Given the ultimate recoverability on Claims are being determined in separate proceedings, the Company has not reduced any of these amounts to an estimated recovery value in this report.

Inventory (2c) includes digital assets held in custody at entities which are not undergoing their own bankruptcy proceedings, and thus excludes digital assets BlockFi holds with FTX.com. This balance also includes digital assets currently staked and any safeguarding assets held for the benefit of Wallet accounts which we do not believe to be property of the estate.

Post-petition payables (2f) include general accounts payable and other accrued expenses and liabilities. Any post-petition interest accrued pursuant to the terms and conditions of any client agreements is included as liabilities subject to compromise (2m).

General and Administrative expenses (4e) include the utilization of discounts and pre-payments thus creating contra expenditures in certain instances.

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Other expenses (4f) reflect the impact of price changes during the reporting period for digital asset translation adjustments. Any post-petition interest accrued pursuant to the terms and conditions of any client agreements is included as liabilities subject to compromise.

Notes to MOR Part 3

Pursuant to the *Order Granting Debtors' Motion for Entry of an Order (I) Authorizing the Debtors to Continue Servicing and Administration Activities in the Ordinary Course of Business with Respect to the Debtors' Institutional Loan Portfolio and Granting Related Relief and (II) Authorizing and Establishing Procedures Regarding the Restructuring, Settlement, or Other Modifications of Institutional Loans and Loan Obligations* (the "Loan Settlement Procedures Order") [Docket No. 299], the Debtors entered into certain loan settlement agreements in which BlockFi Inc. was lender to the settling borrower. Part 3 provides the details of these loan settlements, which occurred during the month of February as permitted by the Loan Settlement Procedures Order and as approved by the Bankruptcy Court and are valued using the relevant cryptocurrency pricing on the date of settlement. While these transactions are not technically a sale of assets but are instead loan settlements in which BlockFi Inc. may have incurred a loss to resolve certain loans with borrowers, BlockFi is disclosing the incoming proceeds that resulted from the settlements in Part 3.

Notes to MOR Part 7

Pursuant to certain orders of the Court in the Chapter 11 cases entered shortly after the Petition Date [Docket Nos. 43-44, 49, 50-52, and 55] (collectively, the "First Day Orders"), the Debtors were granted authority to pay certain outstanding prepetition payables, including payments outlined in the Cash Management, Tax, Utility, Insurance, Critical Vendor, and Wage Motions [Docket Nos. 7, 9-11, 13, and 16, respectively].

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SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Debtor name:	BlockFi International Ltd.
Case number:	22-19368
CASH BEGINNING OF PERIOD	\$ 25,076,933
TOTAL RECEIPTS	
Other Receipts	-
DISBURSEMENTS	
Professional Fees	612,525
Salaries & Benefits	35,000
Restructuring Fees	250
TOTAL DISBURSEMENTS	647,775
NET CASH FLOW	
(RECEIPTS LESS DISBURSEMENTS)	(647,775)
CASH END OF MONTH	\$ 24,429,159

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PART 2
BALANCE SHEET (UNAUDITED)

Debtor name:	BlockFi International Ltd.
ASSETS	
CURRENT ASSETS	
Cash	\$ 24,429,159
Restricted Cash	-
Stablecoin Held	27,084,025
Digital Assets Held	332,820,333
Indemnification Asset	72,057,704
Digital Assets Loaned	2,105,885
Loans, Net	54,797,686
Collateral Receivable	25,602,305
Intercompany Receivable from Affiliate Entities	56,860,132
Claims on Debtors in Bankruptcy (Estimate)	1,171,510,731
Mining Assets	-
Other Current Assets	178,138
TOTAL CURRENT ASSETS	1,767,446,097
NON-CURRENT ASSETS	
Deferred Tax Assets	-
Deferred Tax Assets, Valuation Allowance	-
Investment in Subsidiaries	-
Other Non-current Assets	29,337
TOTAL NON-CURRENT ASSETS	29,337
TOTAL ASSETS	1,767,475,434
LIABILITIES AND STOCKHOLDERS' EQUITY	
LIABILITIES	
Other Liabilities	
Safeguarding Liability	72,057,707
Post-petition Payables	-
Intercompany Payable - Post-petition	7,466,449
TOTAL OTHER LIABILITIES	79,524,156
Liabilities Subject to Compromise	
Customer Liabilities	372,492,732
USD Collateral Due to Clients	499,975
Digital Asset Collateral Due to Clients	211,353,671
Institutional Borrowings	21,670,000
Intercompany Payable to Affiliate Entities	647,519,518
FTX Borrowings and Accrued Interest Payable	-
Regulatory Fines Payable	-
Other Liabilities	170,348
TOTAL LIABILITIES SUBJECT TO COMPROMISE	1,253,706,244
TOTAL LIABILITIES	1,333,230,400
TOTAL STOCKHOLDERS' EQUITY	434,245,034
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,767,475,434

BlockFi International Ltd.
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PART 4
STATEMENT OF OPERATIONS (UNAUDITED)

Debtor name:	BlockFi International Ltd.
REVENUE AND INTEREST INCOME	
Interest and Fee Revenue	
Interest and Fee Revenue	\$ 26,262
Other Revenue	690,329
TOTAL REVENUE AND INTEREST INCOME	716,590
INTEREST AND TRADING EXPENSES	
Interest and Fee Expense	1,661,532
TOTAL INTEREST AND TRADING EXPENSES	1,661,532
OPERATING EXPENSES	
Personnel Expenses	1,670,141
General & Administrative	704,894
Software & Technology	57,622
Sales & Marketing	(28,576)
Professional Fees	1,353,749
TOTAL OPERATING EXPENSES	3,757,831
OTHER OPERATING INCOME / (LOSS)	(63,290,245)
NET PROFIT / (LOSS)	\$ (67,993,017)

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2/28/23 BANK ACCOUNTS

Entity name:	Bank name	Account type	Account number (last four digits)	Period-end bank balance	Currency
BlockFi International Ltd.	Signature	Operational account	-9744	\$ 24,429,159	USD
BlockFi International Ltd.	Signature	Savings account ⁽¹⁾	-9752	-	USD
BlockFi International Ltd.	Silvergate	Custodial / Trading account ⁽²⁾	-0586	-	USD
BlockFi International Ltd.	Silvergate	SEN Account to 0776 ⁽²⁾	-0776	-	USD
BlockFi International Ltd.	BCB	Sterling Account ⁽³⁾	-2063	-	GBP
BlockFi International Ltd.	BCB	Sterling Blinc Account ⁽³⁾	-2059	-	GBP
BlockFi International Ltd.	BCB	EUR Account ⁽⁴⁾	-2551	-	EUR
BlockFi International Ltd.	BCB	EUR Blinc Account ⁽⁴⁾	-2555	-	EUR
Total Debtor Amount				\$ 24,429,159	USD

⁽¹⁾ Account closed on February 17, 2023

⁽²⁾ Account closed on February 22, 2023

⁽³⁾ Account closed on March 1, 2023

⁽⁴⁾ Account closed on February 17, 2023

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Schedule of Payments to Professionals

Name of Professional	Role	Date of Retention	Amount approved by court	Retainer and Cumulative Amounts	Amount Paid Over and Above Retainer
Walkers ⁽¹⁾	International Counsel	12/16/2022	\$612,525	\$612,525	\$562,525
US Trustee	US Bankruptcy Trustee	N/A	\$250	N/A	N/A

⁽¹⁾ Walkers was retained to perform bankruptcy services in the Bermuda Proceedings and was paid by the Debtors in accordance with the Bermuda Order approving same and not in any capacity as an Ordinary Course Professional.

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Schedule of Institutional Loan Portfolio Settlements

Date of Sale	Description	Gross Sales Price	Payments to/by Third Parties	Net Sales Proceeds
2/17/2023	Auros Institutional Loan	\$ 10,927,260	\$ -	\$ 10,927,260
2/24/2023	Portofino Institutional Loan	6,027,061	0	6,027,061
2/27/2023	Auros Institutional Loan	3,236,797	0	3,236,797
Total		\$ 20,191,118	\$ -	\$ 20,191,118